

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

ROCKWOOD HOUSING COMMISSION

Financial Statements

March 31, 2006

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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John C. DiPiero, P.C.

Certified Public Accountant

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Board of Commissioners
Rockwood Housing Commission
32409 Fort Street
Rockwood, Michigan 48173

Independent Auditor's Report

I have audited the Business Type Activities of the Rockwood Housing Commission as of and for the year ended March 31, 2006. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rockwood Housing Commission as of March 31, 2006, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 27, 2006 on my consideration of the Rockwood Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Certified Public Accountant

September 27, 2006

The purpose of this MD & A is to serve as a basic tool for reading and understanding the financial statements of the Housing Commission. The information presented here should be viewed in conjunction with the Commission's financial statements. The Housing Commission's books are reported using the full accrual method, which means that all revenues and expenses are taken into account regardless of when cash is received and/or paid out. The programs are funded directly by the United States Department of Housing and Urban Development.

The following summarizes the two programs that the Rockwood Housing Commission operates on a daily basis.

Low Rent Public Housing

The Housing Commission completed its development in 1970 and currently owns 51 units that are provided to elderly/disabled and low-income individuals. The Commission is responsible for management, maintenance, utilities and various other tasks associated with operating the project. Each year, the Housing Commission applies for Operating Subsidy, which is funded at a level determined by HUD. In addition to tenant revenue, interest income and other miscellaneous income, the subsidy is used to provide safe and affordable housing to residents.

Capital Fund

The Housing Commission is awarded this grant each year, based on HUD's available funding. It is used to for physical improvement of the property and surrounding landscape. It may also be used for equipment such as dwelling equipment, office, maintenance and community room equipment. PHA's also have the option of drawing down funds in a line item called Operations.

The financial statements included in this report are those of a non-profit enterprise fund engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports on the Commission's current financial resources with capital and other assets and long-term debt obligations and other liabilities.
- Statement of Revenues, Expenses and Changes in Fund Net Assets-reports the Commission's operating and non-

operating revenues, by major source along with operating and non-operating expenses and capital contributions.

- Statement of Capital Assets

Statement of Net Assets

Assets	2006	2005	Change
Cash/Investments	183,653	207,049	-23,396
Other Current Assets	7,443	5,478	1,965
Capital Assets, Net	633,705	626,444	7,261
<u>Total Assets</u>	824,801	838,971	-14,170
Liabilities			
Accounts Payable	11,228	8,820	2,408
A/P-Other Gov't	9,693	10,004	-311
Other Current Liabilities	15,161	15,851	-690
NonCurrent Liab.	864	678	186
Total Liabilities	36,946	35,353	1,593
<u>Net Assets</u>			
Invested in Capital Assets	633,705	626,444	7,261
Unrestricted Net Assets	154,150	177,174	-23,024
Total Net Assets	824,801	838,971	-14,170

Total Assets for FYE 2006 total \$824,801, which is \$14,170 less than FYE 2005. Total Liabilities for FYE 2006 total \$36,946, which is \$1,593 more than FYE 2005.

Net Assets decreased \$14,170 from 2005 to 2006 due mainly to the reduction in cash and investments.

The decrease in Unrestricted Net Assets is mainly due to a decrease in total revenue and a substantial increase in maintenance expenses. In general, the Unrestricted Net Assets are used to fund operations of the Housing Commission.

Statement of Revenues, Expenses and Changes in Fund Net Assets

<u>Opr Revenues</u>	2006	2005	Change
Tenant Revenue	154,824	157,219	-2,395
Opr Grants/Subsidy	49,074	40,110	8,964
Misc Revenue	1,302	1,311	-9
Total Operating Revenues	205,200	198,640	6,560
Opr Expenses			
Administration	63,308	60,822	2,486
Tenant Services	741	1,361	-620
Utilities	46,373	42,582	-3791
Maintenance	72,495	58,112	14,383
General	22,002	22,734	-732
Depreciation	72,033	66,689	-5,344
Extraordinary Maint.	3,883	0	3,883
Total Expenses	280,835	252,300	28,535
Opr Income/(Loss)	-75,635	-53,660	-21,975
Nonoperating Revenues			
Interest Income	3,448	2,389	1,059
Income (Loss) before contributions/transfers	-72,187	-51,271	-20,916
Capital Grants	56,424	93,757	-37,333
Change in Net Assets	-15,763	42,486	-58,249
Total Assets-Beginning	803,618	761,132	42,486
Total Assets-Ending	787,855	803,618	-15,763

The total decrease in revenue is approximately 11% and is mainly due to a decrease in capital grants. The total increase in operating expenses is only 11% with significant increases in audit, administrative employee benefits, electricity, maintenance materials, maintenance contract costs and maintenance employee benefits. The expenses with the largest decreases were compensated absences and tenant services.

Statement of Capital Assets

Land and Improvements	248,167
Buildings and Improvements	1,516,600
Equipment	79,779
Construction in Progress	44,851
Total Fixed Assets	1,889,397
Less: Accumulated Depreciation	1,255,692
Net Fixed Assets/Invested in Capital Assets	633,705

There were increases in buildings, site improvements, equipment and construction in progress in the amount of \$79,294 for the fiscal year ended March 31, 2006. The current year depreciation expense was \$72,033. The net effect is an increase in net fixed assets of \$7,261.

The Housing Commission's financial success is dependent on operating and capital grants received from the US Dept of HUD. Without them, the Rockwood Housing Commission could not survive. There are various local economic factors that could affect the Commission's profit or loss, such as local employment opportunities, supply and demand for local jobs and inflationary adjustments to utilities and other local suppliers.

In spite of decreasing capital grants and possible decreases in operating grants, the Housing Commission will continue to do the best job they can in providing safe, sanitary and decent housing for their residents.

Contacting The Commission's Financial Management

This report was written to provide readers with a general overview of the Commission's finances and the manner in which it spends the revenue it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Janet D. Dallwig, at 32409 Fort Street Rockwood, MI 48173. The phone number is (734) 379-9700.

ROCKWOOD HOUSING COMMISSION
Statement of Net Assets
March 31, 2006

ASSETS

C-3026

CURRENT ASSETS

Cash	\$	63,494	
Accounts Receivable- Tenants (Net of Allowance of \$ 0)		342	
Accounts Receivable- HUD		4,480	
Accrued Interest Receivable		305	
Investments		120,388	
Prepaid Expenses		<u>3,878</u>	
Total Current Assets	\$		192,887

NON CURRENT ASSETS

Land	\$	36,763	
Buildings		1,674,310	
Furniture, Equipment- Dwellings		30,735	
Furniture, Equipment- Administrative		49,151	
Construction in Progress		212,444	
Accumulated Depreciation		<u>(1,334,525)</u>	
Total Non Current Assets			<u>668,878</u>

<u>TOTAL ASSETS</u>	\$	<u>861,765</u>
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ROCKWOOD HOUSING COMMISSION
Statement of Net Assets
March 31, 2006

C-3026

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$ 14,351	
Accrued Wages & Payroll Taxes	1,012	
Accrued Compensated Absences	294	
Accounts Payable-Other Governments	9,430	
Tenants Security Deposit	14,151	
Deferred Revenue	11	
Other Current Liabilities	<u>40</u>	
<u>Total Current Liabilities</u>		\$ 39,289

NON CURRENT LIABILITIES

Accrued Compensated Absences		<u>881</u>
<u>Total Liabilities</u>		\$ 40,170

NET ASSETS:

Contributed Capital	\$ 668,878	
Unrestricted Net Assets	<u>152,717</u>	
<u>Total Net Assets</u>		\$ <u>821,595</u>
<u>TOTAL LIABILITIES & NET ASSETS</u>		\$ <u>861,765</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements

ROCKWOOD HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended March 31, 2006

OPERATING REVENUE

Tenant Rental Revenue	\$ 149,122	
Tenant Revenue-Other	2,648	
HUD Grants	44,371	
Interest Income	4,073	
Other Income	<u>1,397</u>	
<u>Total Operating Revenue</u>		\$ 201,611

OPERATING EXPENSES

Administrative	\$ 65,372	
Tenant Services	226	
Utility Expenses	46,302	
Ordinary Maintenance	65,019	
General Expenses	<u>22,320</u>	
<u>Total Operating Expenses</u>		<u>199,239</u>
<u>Operating Income (Loss)</u>		\$ 2,372

NONOPERATING REVENUE (EXPENSES)

Casualty Losses	\$ (3,105)	
Loss on Sale of Assets	(222)	
Depreciation Expenses	<u>(79,203)</u>	
<u>Total NonOperating Revenue (Expenses)</u>		<u>(82,530)</u>
<u>Income (Loss) before Contributions</u>		\$ (80,158)

CAPITAL CONTRIBUTIONS

		<u>113,898</u>
<u>Changes in Net Assets</u>		\$ 33,740
Total Net Assets- Beginning		<u>787,855</u>
Total Net Assets- Ending		\$ <u>821,595</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROCKWOOD HOUSING COMMISSION
Statement of Cash Flows
For the Year Ended March 31, 2006

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 151,462
Payments to Suppliers	(142,919)
Payments to Employees	(68,849)
HUD Grants	158,269
Other Receipts (Payments)	<u>5,248</u>
Net Cash Provided (Used) by Operating Activities	\$ 110,877

CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(114,006)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (3,129)
Balance- Beginning of Year	<u>66,623</u>
Balance- End of Year	\$ <u>63,494</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ 33,740
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	79,203
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	(1,146)
Investments	(3,358)
Prepaid Expenses	(808)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	3,123
Accrued Liabilities	(632)
Accrued Compensated Absences	311
Security Deposits	803
Accounts Payable- Other Governments	(263)
Deferred Revenue	<u>(96)</u>
Net Cash Provided by Operating Activities	\$ <u>110,877</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROCKWOOD HOUSING COMMISSION
Notes to Financial Statements
March 31, 2006

NOTE 1: Summary of Significant Accounting Policies

Reporting Entity-

Rockwood Housing Commission, Rockwood, Michigan, (Commission) was created by ordinance of the city of Rockwood. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 81-1	Low rent program	51 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, no component units exit.

These criteria were considered in determining the reporting entity.

Basis of Presentation-

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Notes to Financial Statements- continued

Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided no conflicts exist with the Governmental Accounting Standards Board (GASB) pronouncements.

Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Assets, Liabilities, and Net Assets-

Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Financial Data Schedule.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Account	\$ 63,444
Petty Cash	<u>50</u>
Financial Statement Total	<u>\$ 63,494</u>

Notes to Financial Statements- continued

Investments:

Certificates of Deposit \$ 120,388

Generally the Department classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Department's name.
- 2) Uninsured or unregistered, held by a broker in the Department's name.
- 3) Uninsured or unregistered, held by a broker not in the Department's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 63,444	\$	\$	\$ 63,444	\$ 63,444
Petty Cast	<u>50</u>	<u></u>	<u></u>	<u>50</u>	<u>50</u>
Total Cash	\$ <u>63,494</u>	\$ <u></u>	\$ <u></u>	\$ <u>63,494</u>	\$ <u>63,494</u>
Investments:					
C/D's	\$ <u>120,388</u>	\$ <u></u>	\$ <u></u>	\$ <u>120,388</u>	\$ <u>120,388</u>

In addition to the above analysis, the Department has adopted an investment policy as required by P.A. 20 of 1943, as amended by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Prepaid Expenses.

Prepaid expenses consist of the following:

Prepaid Insurance	\$ 1,964
Miscellaneous	<u>1,914</u>
	\$ <u>3,878</u>

Footnotes to Financial Statements- continued

Note 4: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 36,763	\$	\$	\$ 36,763
Buildings	1,516,600	157,710		1,674,310
Furniture & Equipment-Dwellings	30,628	107		30,735
Furniture & Equipment-Admin	49,151			49,151
Construction in Progress	<u>256,255</u>	<u></u>	<u>43,811</u>	<u>212,444</u>
	\$ 1,889,397	\$ 157,817	\$ 43,811	\$ 2,003,403
Less Accumulated Depreciation	<u>1,255,692</u>	<u>79,203</u>	<u>370</u>	<u>1,334,525</u>
	\$ <u>633,705</u>	\$ <u>78,614</u>	\$ <u>43,441</u>	\$ <u>668,878</u>

Note 5: Other Post Employment Benefits.

The Commission provides a nonqualified Section 457 plan available only to employees of State and Local governments. Distributions cannot be made before the calendar year in which (1) the plan participant attains age 70 1/2, or (2) the plan participant separates from the service of the employer, except in the case of a hardship distribution. Required minimum distributions generally must be made in the same manner as for qualified plans.

The following disclosures are required by Governmental Accounting Standards Board (GASB) statement 32.

Beginning Plan Assets	\$ 104,578
Contributions	2,160
Investment Income net of service fees	<u>1,062</u>
Ending Plan Assets	\$ <u>107,800</u>

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Notes to Financial Statements- continued

Note 8: Risk Management

The Department is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Department purchases commercial insurance to cover the risks of these losses. The Department had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 3,703,881
General Liability	3,000,000
Automobile Liability	1,000,000
Dishonesty Policy	10,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

Rockwood Housing Commission

31-Mar-06

MI-081

	Account Description	Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
Line Item #				
	ASSETS:			
	CURRENT ASSETS:			
	Cash:			
111	Cash - unrestricted	63,494	-	63,494
112	Cash - restricted - modernization and developmen		-	-
113	Cash - other restricted			-
114	Cash - tenant security deposit	-	-	-
100	Total cash	63,494	-	63,494
	Accounts and notes receivables			
121	Accounts receivable - PHA project	-	-	-
122	Accounts receivable - HUD other project		4,480	4,480
124	Accounts receivable - other governmer			-
125	Accounts receivable - miscellaneous	-	-	-
126	Accounts receivable- tenants - dwelling rent	342		342
126.1	Allowance for doubtful accounts - dwelling rent	-		-
126.2	Allowance for doubtful accounts - othe	-		-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivable	305		305
120	Total receivables, net of allowances for doubtful account	647	4,480	5,127
	Current investments			-
131	Investments - unrestricted	120,388		120,388
132	Investments - restricted			-
142	Prepaid expenses and other asset	3,878	-	3,878
143	Inventories	-	-	-
143.1	Allowance for obsolete inventories	-	-	-
144	Interprogram - due from	4,480	-	4,480
146	Amounts to be provided			-
150	TOTAL CURRENT ASSETS	192,887	4,480	197,367
	NONCURRENT ASSETS:			
	Fixed assets:			
161	Land	36,763	-	36,763
162	Buildings	1,516,600	157,710	1,674,310
163	Furniture, equipment & machinery - dwelling	30,735	-	30,735
164	Furniture, equipment & machinery - administrative	49,151	-	49,151
165	Leasehold improvement	-	-	-
166	Accumulated depreciation	(1,328,696)	(5,829)	(1,334,525)
167	Construction in Progress	211,404	1,040	212,444
160	Total fixed assets, net of accumulated depreciatio	515,957	152,921	668,878
171	Notes and mortgages receivable - non-curren			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debits			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	515,957	152,921	668,878
190	TOTAL ASSETS	708,844	157,401	866,245

	LIABILITIES AND EQUITY:			
	LIABILITIES:			
	CURRENT LIABILITIES			
311	Bank overdraft			-
312	Accounts payable ≤ 90 days	14,351	-	14,351
313	Accounts payable > 90 days past due		-	-
321	Accrued wage/payroll taxes payable	1,012	-	1,012
322	Accrued compensated absence	294	-	294
324	Accrued contingency liability			-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program			-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	9,430	-	9,430
341	Tenant security deposits	14,151	-	14,151
342	Deferred revenues	11	-	11
343	Current portion of Long-Term debt - capital project		-	-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	40		40
346	Accrued liabilities - other	-		-
347	Inter-program - due to	-	4,480	4,480
310	TOTAL CURRENT LIABILITIES	39,289	4,480	43,769
	NONCURRENT LIABILITIES:			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing	-	-	-
353	Noncurrent liabilities- other	-		-
354	Accrued Compensated Absences-Non Current	881		881
350	TOTAL NONCURRENT LIABILITIES	881	-	881
300	TOTAL LIABILITIES	40,170	4,480	44,650
	EQUITY:			
501	Investment in general fixed asset			-
	Contributed Capital:			
502	Project notes (HUD)			-
503	Long-term debt - HUD guarantee	-	-	-
504	Net HUD PHA contributions	-		-
505	Other HUD contributions			-
507	Other contributions	-		-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	515,957	152,921	668,878
	Reserved fund balance			-
509	Reserved for operating activities			-
510	Reserved for capital activities	-		-
511	Total reserved fund balance	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-
512.1	Unrestricted Net Asset	152,717		152,717
513	TOTAL EQUITY	668,674	152,921	821,595
600	TOTAL LIABILITIES AND EQUITY	708,844	157,401	866,245

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Rockwood Housing Commission

31-Mar-06

MI-081

			Capital Projects	
	Combining Income Statement	Low Rent 14.850	Funds 14.872	TOTAL
Line Item #				
	REVENUE:			
703	Net tenant rental revenue	149,122		149,122
704	Tenant revenue - other	2,648	-	2,648
705	Total tenant revenue	151,770	-	151,770
706	HUD PHA grants	37,774	120,495	158,269
708	Other government grants			-
711	Investment income - unrestricted	4,073	-	4,073
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	1,397		1,397
716	Gain or loss on the sale of fixed assets	(222)		(222)
720	Investment income - restricted			-
700	TOTAL REVENUE	194,792	120,495	315,287
	EXPENSES:			
	Administrative			
		-		
911	Administrative Salaries	39,370	-	39,370
912	Auditing Fees	2,250		2,250
913	Outside management fees			-
914	Compensated absences	311		311
915	Employee benefit contributions-administrative	10,801	-	10,801
916	Other operating administrative	12,640	-	12,640
	Tenant services			
921	Tenant services - salaries	-	-	-
922	Relocation costs		-	-
923	Employee benefit contributions- tenant services	-	-	-
924	Tenant services - other	226	-	226
	Utilities			
931	Water	12,480	-	12,480
932	Electricity	30,712	-	30,712
933	Gas	3,110	-	3,110
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expense	-		-
	Ordinary maintenance & operation			
941	Ordinary maintenance and operations - labor	29,479	-	29,479
942	Ordinary maintenance and operations - materials & other	6,938	-	6,938
943	Ordinary maintenance and operations - contract costs	18,530	-	18,530
945	Employee benefit contributions- ordinary maintenance	10,072	-	10,072
	Protective services			
951	Protective services - labor			-

ROCKWOOD HOUSING COMMISSION
Status of Prior Audit Findings
March 31, 2006

The prior audit of the Rockwood Housing Commission for the period ended March 31, 2005, did not contain any audit findings

ROCKWOOD HOUSING COMMISSION
Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
March 31, 2006

I have audited the financial statements of Rockwood Housing Commission, Rockwood, Michigan, as of and for the year ended March 31, 2006, and have issued my report thereon dated September 27, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Rockwood Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Rockwood Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

September 27, 2006

ROCKWOOD HOUSING COMMISSION
Schedule of Findings and Questioned Cost
March 31, 2006

1) Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Capital Fund Program		X

Opinions:

General Purpose Financial Statements-

Unqualified

Report on compliance & Internal Control-

Unqualified

Thresholds

Dollar limit used to determine type A & B programs- \$ 300,000

2) Findings relating to the financial statements reported in accordance with Government Auditing Standards:

None

3) Findings and Questioned Costs relating to Federal Awards:

None